

**Sewerage District No. 1 of Rapides Parish
Alexandria, Louisiana**

Auditor's Report

Year Ended December 31, 2012

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 04 2013

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditor's Report	1-2
Financial Statements - Business Type Activities	
Comparative Statement of Net Position	4
Comparative Statement of Revenues, Expenses, and Changes in Fund Net Position	5
Comparative Statement of Cash Flows	6-7
Notes to the Financial Statements	8-15
Compliance and Internal Control	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	17-18
Schedule of Findings and Questioned Costs	19
Summary Schedule Of Prior Audit Findings	20

Roy K. Derbonne, JR., LLC

Certified Public Accountant
1101-A Bolton Avenue
Alexandria, Louisiana 71301-6878

Tel 318-445-6778
Fax 318-445-8967

Member
Society of Louisiana CPA's

ACCOUNTANTS' REPORT

To Board of Commissioners
Sewerage District No 1 of Rapides Parish, Louisiana
Alexandria, Louisiana

Report on the Financial Statements

I have audited the accompanying financial statements of Sewerage District No 1 of Rapides Parish, Louisiana, a component unit of the Rapides Parish Police Jury, as of and for the year ended December 31, 2012 and 2011, which collectively comprise the District's basic financial statements as listed in the table of contents

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions

Opinions

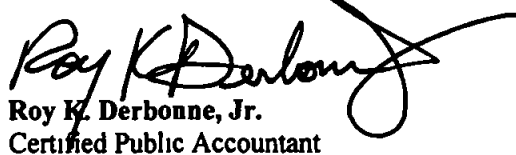
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of Sewerage District No 1 of Rapides Parish, Louisiana, as of December 31, 2012 and 2011, and the results of operations and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America

Other Matters

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, I have also issued my report dated June 20, 2013, on my consideration of Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.



Roy K. Derbonne, Jr.
Certified Public Accountant

Alexandria, Louisiana
June 20, 2013

FINANCIAL STATEMENTS - BUSINESS TYPE ACTIVITIES

SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENTS OF NET POSITION
December 31, 2012 and 2011

ASSETS	2012	2011
Current Assets		
Cash and Cash Equivalents	\$ 502,701	\$ 483,528
Receivables:		
Accounts (Net)	30,301	20,403
Total Current Assets	<u>533,002</u>	<u>503,931</u>
Restricted Assets		
Reserve Fund	68,283	68,263
Depreciation and Contingency Fund	8,769	6,105
Total Restricted Assets	<u>77,052</u>	<u>74,368</u>
Capital Assets		
Depreciable, net	4,274,182	4,424,013
Nondepreciable Capital Assets	28,570	28,570
Total Capital Assets	<u>4,302,752</u>	<u>4,452,583</u>
TOTAL ASSETS	<u>\$ 4,912,806</u>	<u>\$ 5,030,882</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	\$ 21,767	\$ 23,698
Deposits Payable	16,530	16,515
Payroll Taxes Payable	499	579
Total Current Liabilities	<u>38,796</u>	<u>40,792</u>
Current Liabilities Payable from Restricted Assets		
Accrued Interest Payable	1,949	1,950
Current Portion of Long-Term Debt	16,585	15,938
Total Current Liabilities Payable from Restricted Assets	<u>18,534</u>	<u>17,888</u>
Noncurrent Liabilities		
Long-Term Debt	1,284,439	1,301,026
Total Liabilities	<u>1,341,769</u>	<u>1,359,706</u>
DEFERRED INFLOWS OF RESOURCES	10,360	17,708
NET POSITION		
Investment in Capital Assets	2,973,158	3,107,049
Restricted for Debt Service	77,052	74,368
Unrestricted (Deficit)	510,467	472,051
Total Net Position	<u>3,560,677</u>	<u>3,653,468</u>
TOTAL LIABILITIES, DEFERRED INFLOW RESOURCES AND NET POSITION	<u>\$ 4,912,806</u>	<u>\$ 5,030,882</u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH

Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN NET POSITION

For The Years Ended December 31, 2012 and 2011

OPERATING REVENUES	2012	2011
Sewerage Service and Tap Fees	\$ 579,651	\$ 566,941
OPERATING EXPENSES		
Salaries	15,150	10,350
Payroll Taxes	1,158	791
Contract Labor	110,200	101,400
Advertising	12	152
Dues, Subscriptions and Permits	6,391	6,699
Engineering Fees	1,100	878
Equipment Rental	588	333
Insurance	3,973	5,070
Lab Fees	26,853	24,958
Legal and Accounting	63,890	65,321
Office and Postage	12,766	11,099
Rent Expense	1,800	1,800
Repairs and Maintenance	98,434	146,907
Telephone and Utilities	116,490	117,797
Depreciation	163,661	163,357
Total Operating Expenses	622,466	656,912
OPERATING INCOME	(42,815)	(89,971)
NONOPERATING REVENUES (EXPENSES)		
Interest Income	10	238
Rental Income	1,200	1,200
Interest Expense	(52,293)	(52,915)
Miscellaneous	1,107	804
Total Nonoperating Revenues (Expense)	(49,976)	(50,673)
NET INCOME (LOSS)	(92,791)	(140,644)
NET POSITION, BEGINNING OF YEAR	3,653,468	3,794,112
NET POSITION, END OF YEAR	\$ 3,560,677	\$ 3,653,468

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash Flows From Operating Activities		
Cash From Operating Revenues	\$ 562,405	\$ 564,662
Cash Paid to Employees	(15,150)	(10,350)
Cash For Operating Expenses	(445,665)	(579,537)
Net Cash Provided by Operating Activites	<u>101,590</u>	<u>(25,225)</u>
Cash Flows From Non Capital and Related Financing Activities		
Special Assessments and Interest	-	-
Increase (Decrease) in Customer Deposits	15	189
Miscellaneous	2,307	2,004
Net Cash Provided (Used) by Non Capital Financing Activities	<u>2,322</u>	<u>2,193</u>
Cash Flows From Capital and Related Financing Activities		
Sewer System Improvements	(13,830)	-
Debt Retirement	(15,940)	(15,318)
Interest Paid on Debt	(52,294)	(52,937)
Net Cash Provided (Used) by Capital and Related Activities	<u>(82,064)</u>	<u>(68,255)</u>
Cash Flows From Investing Activities		
Interest on Investments	10	238
(Increase) Decrease in Accrued Interest	-	-
Net Cash Used by Investing Activities	<u>10</u>	<u>238</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>21,858</u>	<u>(91,049)</u>
Cash and Cash Equivalents, Beginning of the Year	<u>557,896</u>	<u>648,945</u>
Cash and Cash Equivalents, End of the Year	<u><u>\$ 579,754</u></u>	<u><u>\$ 557,896</u></u>

The accompanying notes are an integral part of this statement

SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
Alexandria, Louisiana

BUSINESS - TYPE ACTIVITIES

COMPARATIVE STATEMENT OF CASH FLOWS
For The Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Required) by Operating Activities		
Operating Income	\$ (42,815)	\$ (89,971)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Depreciation	163,661	163,357
Changes in Assets and Liabilities		
(Increase) Decrease in Receivables	(9,898)	(1,516)
Increase (Decrease) in Accounts Payable	(1,930)	(96,552)
Increase (Decrease) in Deferred Revenues	(7,348)	(764)
Increase (Decrease) in Payroll Taxes Payable	(80)	221
Total Adjustments	<u>144,405</u>	<u>64,746</u>
Net Cash Provided (Required) by Operating Activities	<u>\$ 101,590</u>	<u>\$ (25,225)</u>

The accompanying notes are an integral part of this statement

**SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012**

NOTE A SUMMARY OF ACCOUNTING POLICIES

Sewerage District No. 1 of Rapides Parish was created by the Rapides Parish Police Jury under the authority of Louisiana Revised Statutes 33:3881 to manage and operate sewerage systems within the District not served by municipal systems. A three-member board appointed by the Rapides Parish Police Jury governs the District. At December 31, 2012, the District had approximately 1,507 customers.

BASIS OF PRESENTATION

The accounting and reporting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Some of the Town's more significant accounting policies are described as follows:

THE REPORTING ENTITY

As the governing authority of the parish, for reporting purposes, the Rapides Parish Police Jury is the financial reporting entity for Rapides Parish. The financial reporting entity consists of (a) the primary government (Police Jury), (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Governmental Accounting Standards Board Statement 14 established criteria for determining which component units should be considered part of the Rapides Parish Police Jury for financial reporting purposes. The basic criterion for including a potential component unit within the reporting entity is financial accountability. The GASB has set forth criteria to be considered in determining financial accountability. These criteria include:

- 1 The Police Jury's ability to appoint management or the voting majority to the organization's governing body, and the ability of the Police Jury to impose its will on that organization and/or the potential for the organization to provide specific financial benefits to or impose specific financial burdens on the Police Jury.
- 2 Organizations for which the Police Jury does not appoint a voting majority, but are fiscally dependent on the Police Jury.
- 3 Organizations for which the reporting entity financial statements would be misleading if the data of the organization is not included because of the nature or significance of the relationship.

Because the Police Jury appoints the board and has the ability to impose its will on the District and there exists the potential for the District to provide specific financial benefits to or impose specific burdens on the Police Jury, the District was determined to be a component unit of the Rapides Parish Police Jury, the financial reporting entity. The accompanying financial statements present information only on the funds maintained by the District and do not present information on the Police Jury, the

**SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012**

general government service provided by the governmental unit, or other governmental units that comprise the financial reporting entity

FUND ACCOUNTING

The District is organized and operated on a fund basis whereby a self-balancing set of accounts (Business-Type Activities) is maintained that comprises its assets, liabilities, and fund equity, revenues, and expenses. Business-type activities, rely on fees and charges for support and operates in a manner similar to private sector enterprises.

MEASUREMENT FOCUS /BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurements focus applied.

MEASUREMENT FOCUS

The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or long term) associated with their activities are reported. Proprietary fund equity is classified as retained earnings.

BASIS OF ACCOUNTING

The proprietary fund utilizes the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or the economic asset is used.

CASH AND CASH EQUIVALENTS

For purpose of the statement of net assets, cash and interest-bearing deposits include all demand accounts, saving accounts, and highly liquid investments maturing in three months or less.

For the purpose of the proprietary fund statement of cash flows, “cash and cash equivalents” include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

RECEIVABLES

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Major receivable balances for the governmental activities include sales and use taxes and intergovernmental payments.

Business-type activities report customer’s utility service receivables as the major receivable. Uncollectible utility service receivables are recognized as bad debts through the establishment of an allowance account at the time information becomes available which would indicate the uncollectibility of the particular receivable.

SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

CAPTIAL ASSETS

Capital assets, which include property, plant, equipment, are reported in the business-type activities of the financial statements statements Capital assets are capitalized at historical cost or estimated cost if historical is not available Donated assets are recorded as capital assets at their estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's life are not capitalized.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets Capital assets are depreciated using the straight-line method and estimated useful lives of 5 to 45 years. Useful lives are selected based on the expected resilience of each capital asset

FUND EQUITY-CONTRIBUTED CAPITAL

Equity is classified as net assets and displayed in four components

- a. Contributed capital represents sewerage facilities donated by developers. Contributed capital is amortized based on the depreciation recognized on the related capital assets. Depreciation is closed to the contributed capital account and is reflected as an adjustment to the net income (loss) on the statement of revenues, expenses and changes in retained earnings.
- b. Investment in capital assets, net of related debt consists of capital assets including restricted capital assets, net accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements constructed, or improvement of those assets.
- c. Restricted net assets consists of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments, or (2) law through constitutional provisions or enabling legislation.
- d. Unrestricted net assets consists of all other net assets that do not meet the definition of "restricted," "invested in capital assets, net of related debt" or "contributed capital."

USE OF ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures Accordingly, actual results could differ from those estimates

NEW GASB STATEMEMTS

During the current operating year, the District implemented the following GASB Statements

Statement No 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position" This statement provides guidance for the reporting of deferred

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

outflow of resources, deferred inflow of resources and net position in the statement of financial position and related disclosures.

Statement No. 65, "Items previously reported as Assets and Liabilities." This statement clarifies the appropriate reporting of deferred outflows and inflows of resources to ensure consistency in financial reporting.

The effect of implementing GASB Nos. 63 and 65 on the financial statements was to reclassify amounts previously reported as unearned revenues to deferred inflow of resources and to report equity as net position rather than as net assets

NOTE B CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents, at year end, totaled \$579,753 per the general ledger and \$579,689 per bank balances. These deposits are stated at cost, which approximates market value.

Under state law, these deposits (or resulting bank balances) must be secured by federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. At December 31, 2012 and 2011 the District's accounts were adequately secured from risk by FDIC insurance (GASB Category 1).

At December 31, 2012 and 2011, the District had cash and cash equivalents (book balances) as follows:

	<u>2012</u>	<u>2011</u>
<u>Unrestricted Cash</u>		
Petty Cash	\$ 100	\$ 100
Demand Deposits	492,450	473,287
Money Market	10,151	10,141
Total Restricted Cash	<u>\$ 502,701</u>	<u>\$ 483,528</u>
<u>Restricted Cash</u>		
Reserve Funds	\$ 68,283	\$ 68,263
Depreciation and Contingency Funds	8,769	6,105
Total Restricted Investments	<u>\$ 77,052</u>	<u>\$ 74,368</u>

NOTE C RECEIVABLES

Receivables at December 31, 2012 and 2011 consisted of the following:

	<u>2012</u>	<u>2011</u>
Receivables, Charges for services	\$ 47,953	\$ 41,296
Allowance for Doubtful Accounts	(17,652)	(20,893)
Total Receivables	<u>\$ 30,301</u>	<u>\$ 20,403</u>

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE D CAPITAL ASSETS

A summary of fixed assets and related depreciation at December 31, 2012 and 2011 are as follows:

2012	Beginning Balance	Additions	Disposals	Ending Balance
Sewerage System	\$ 7,464,295	\$ 13,830	\$ -	\$ 7,478,125
Less Accum Depreciation	(3,040,282)	(163,661)	-	(3,203,943)
Total	<u>\$ 4,424,013</u>	<u>\$ (149,831)</u>	<u>\$ -</u>	<u>\$ 4,274,182</u>

2011	Beginning Balance	Additions	Disposals	Ending Balance
Sewerage System	\$ 7,464,295	\$ -	\$ -	\$ 7,464,295
Less Accum Depreciation	(2,876,925)	(163,357)	-	(3,040,282)
Total	<u>\$ 4,587,370</u>	<u>\$ (163,357)</u>	<u>\$ -</u>	<u>\$ 4,424,013</u>

Depreciation expense for 2012 and 2011 was \$163,661 and \$163,357 respectively

NOTE F ACCOUNTS PAYABLE

Accounts payable at December 31, 2012 and 2011 were amounts due to vendors.

NOTE G DEFERRED INFLOW OF RESOURCES

Deferred inflow of resources represents the amount of prepaid fees for sewer services by the District's customers

NOTE H CHANGES IN LONG-TERM DEBT

The following is a summary of debt owed by the District for the year ended December 31, 2012

	USDA Loan March 2009	USDA Loan December 2009	Total
Loan Payable, December 31, 2011	\$ 973,301	\$ 343,663	\$ 1,316,964
Loan Proceeds	-	-	-
Principal Payments	(11,378)	(4,562)	(15,940)
Bonds Payable, December 31, 2012	<u>\$ 961,923</u>	<u>\$ 339,101</u>	<u>\$ 1,301,024</u>

Loans payable at December 31, 2011 are comprised of the following

\$992,000 loan dated March 17, 2009, due in monthly installments of \$4,726 through December 2048, interest on this loan is 4 1/2 percent

\$961,923

\$353,000 loan dated December 19, 2009, due in monthly installments of \$1,412 through September 2048, interest on this loan is 3 1/2 percent

\$339,101

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2012

The loans were acquired for the purpose of paying for a portion of constructing and acquiring improvements and extension to the sewerage system, including appurtenant equipment, accessories and discharging Bond Anticipation Notes. The loan is secured by a pledge of income and revenues of the System, after provision has been made for payment of all reasonable and necessary expenses of operating and maintaining the System

Interest cost incurred for the year ended December 31, 2012 was \$52,293

The annual requirements to amortize all debt outstanding as of December 31, 2012, including interest payments are as follows:

Loan Dated March 2009			
Year Ending December 31,	Interest	Principal	Ending Balance
2013	\$ 39,457	\$ 11,855	\$ 51,312
2014	38,959	12,353	51,312
2015	38,439	12,873	51,312
2016	37,898	13,414	51,312
2017	37,334	13,978	51,312
2018-2022	177,347	79,213	256,560
2023-2027	159,236	97,324	256,560
2028-2032	136,985	119,575	256,560
2033-2037	109,648	146,912	256,560
2038-2042	76,059	180,501	256,560
2043-2047	34,792	221,768	256,560
2048	1,211	52,157	53,368
Totals	<u>\$ 887,365</u>	<u>\$ 961,923</u>	<u>\$ 1,849,288</u>

Loan Dated December 2009			
Year Ending December 31,	Interest	Principal	Ending Balance
2013	\$ 12,214	\$ 4,730	\$ 16,944
2014	12,040	4,904	16,944
2015	11,859	5,085	16,944
2016	11,672	5,272	16,944
2017	11,478	5,466	16,944
2018-2022	54,213	30,507	84,720
2023-2027	48,160	36,560	84,720
2028-2032	40,907	43,813	84,720
2033-2037	32,216	52,504	84,720
2038-2042	21,799	62,921	84,720
2043-2047	9,317	75,403	84,720
2048	171	11,936	12,107
Totals	<u>\$ 266,046</u>	<u>\$ 339,101</u>	<u>\$ 605,147</u>

SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

There are a number of limitations and restrictions contained in the loan agreements. The following is a summary of the major restrictions in the use of funds as required by the loan agreements.

FLOW OF FUNDS- RESTRICTIONS ON USE OF LOAN FUNDS DATED MARCH 2009

The revenues derived from the sewerage user fees shall be allocated as follows.

- a. Each month beginning on November 1, 2009, and each successive month an amount equal to \$4,276 shall be paid to USDA in payment of principal and interest. The installments of principal and interest may be repaid at any time.

FLOW OF FUNDS: RESTRICTIONS ON USE OF LOAN FUNDS DATED MARCH 2009

The revenues derived from the sewerage user fees shall be allocated as follows:

- a. Each month beginning on November 1, 2009, and each successive month an amount equal to \$4,276 shall be paid to USDA in payment of principal and interest. The installments of principal and interest may be repaid at any time.
- b. Each month \$428 is required to be paid monthly into a separate fund entitled "Debt Service Reserve Fund" until \$51,312 has been accumulated therein.
- c. Each month \$111 is required to be paid monthly into a separate fund entitled "Depreciation and Contingency Fund". Money in this fund may be used to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the sewer system. The monies may also be used to pay the principal and interest on the bonds if there are not sufficient funds in the reserve account.

FLOW OF FUNDS- RESTRICTIONS ON USE OF LOAN FUNDS DATED DECEMBER 2009

The revenues derived from the sewerage user fees shall be allocated as follows.

- a. Each month beginning on November 1, 2009, and each successive month an amount equal to \$1,412 shall be paid to USDA in payment of principal and interest. The installments of principal and interest may be repaid at any time.
- b. Each month \$141 is required to be paid monthly into a separate fund entitled "Debt Service Reserve Fund" until \$16,944 has been accumulated therein.
- c. Each month \$111 is required to be paid monthly into a separate fund entitled "Depreciation and Contingency Fund". Money in this fund may be used to care for depreciation, extensions, additions, improvements and replacements necessary to properly operate the sewer system. The monies may also be used to pay the principal and interest on the bonds if there are not sufficient funds in the reserve account.

NOTE I ACCRUED INTEREST PAYABLE

Accrued interest is due on the loans but unpaid at December 31, 2012

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA

NOTES TO THE FINANCIAL STATEMENTS
December 31, 2012

NOTE J LITIGATION

At December 31, 2012, the District was not a defendant in any legal proceedings.

NOTE K RISK MANAGEMENT

The District is exposed to risk of loss in the areas of theft, torts, property hazards, general liability, errors and omissions, and natural causes. These risks are covered by commercial insurance coverage. Any previous losses have not exceeded the insurance coverage.

NOTE L SALARIES OF BOARD MEMBERS

The following is a schedule of the salaries paid to the District's Board Members.

	Director's Salaries	
	2012	2011
Bob Wooley	\$ 5,400	\$ 3,870
Paul Williams	5,250	1,500
Charlie Stewart	4,500	3,540
Kevin Johnson	-	1,440
Total	<u>\$ 15,150</u>	<u>\$ 10,350</u>

COMPLIANCE AND INTERNAL CONTROL

Roy K. Derbonne, JR., LLC

Certified Public Accountant
1101-A Bolton Avenue
Alexandria, Louisiana 71301-6878

Tel 318-445-6778
Fax 318-445-8967

Member
Society of Louisiana CPA's

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To Board of Commissioners
Sewerage District No 1 of Rapides Parish, Louisiana
Alexandria, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the business-type activities of Sewerage District No 1 of Rapides Parish, Louisiana, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued my report thereon dated June 20, 2013

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Sewerage District No 1 of Rapides Parish, Louisiana's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Sewerage District No. 1 of Rapides Parish, Louisiana's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis

A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis

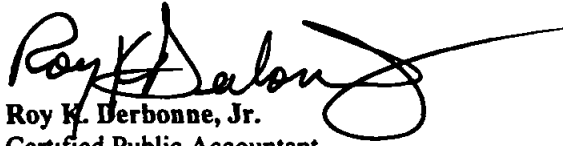
My consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses I did not identify any

deficiencies in internal control over financial reporting that I considered to be material weaknesses, as defined above

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

This report is intended solely for the information and use of the Sewerage District No. 1 of Rapides Parish, Louisiana's Board of Commissioners, and management, others within the organization and grant awarding agencies and the Legislative Auditor and is not intended to be and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited. Also, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

A handwritten signature in black ink, appearing to read "Roy K. Derbonne, Jr.", with a long, sweeping horizontal line extending to the right.

Roy K. Derbonne, Jr.
Certified Public Accountant

Alexandria, Louisiana
June 20, 2013

SEWERAGE DISTRICT NO. 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

PART I – SUMMARY OF AUDITOR’S RESULTS

An unqualified opinion was issued on the financial statements for Sewerage District No 1 of Rapides Parish, Louisiana, as of December 31, 2012.

PART II – FINDINGS RELATING TO THE FINANCIAL STATEMENTS, WHICH ARE REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED GOVERNMENTAL AUDITING STANDARDS

Internal Control

The results of the audit disclosed no instances of significant deficiencies in internal control

Compliance and Other Matters

The results of the audit disclosed no instance of noncompliance with respect to compliance with laws, regulations, contracts, and grants, which are material to the financial statements

**SEWERAGE DISTRICT NO 1 OF RAPIDES PARISH
ALEXANDRIA, LOUISIANA**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2012**

There were no prior year audit findings.